

## Message Text

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ACTION EB-07

INFO OCT-01 EA-07 IO-13 ISO-00 STRE-00 INRE-00 SSO-00

NSCE-00 USIE-00 AGRE-00 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-01 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15 STR-04

ITC-01 TRSE-00 PRS-01 SP-02 OMB-01 FEA-01 AF-10

ARA-10 EUR-12 NEA-10 OIC-02 /134 W

-----109681 081935Z /42

O R 081855Z JUL 77

FM USMISSION GENEVA

TO SECSTATE WASHDC IMMEDIATE 8975

INFO AMEMBASSY TOKYO

LIMITED OFFICIAL USE GENEVA 5588

PASS STR ELECTRONICALLY FOR POMERANZ

EO 11652: N/A

TAGS: ETRD, GATT

SUBJECT: THROWN SILK: GATT COUNCIL MEETING JULY 26

REF: (A) STATE 157927, (B) STATE 157068

1. NORMAL DISPUTE SETTLEMENT PROCEDURES UNDER ARTICLE XXII AND XXIII CALL FOR CONSULTATIONS BETWEEN THE INTERESTED PARTIES UNDER XXII-1 OR XXIII:1 AS A PRIOR CONDITION FOR BRINGING THE MATTER BEFORE THE COUNCIL UNDER XXIII:2. IF THESE CONSULTATIONS FAIL TO RESOLVE THE ISSUE, THE PROBLEM CAN BE BROUGHT BEFORE THE COUNCIL UNDER ART XX:III:2. THE COUNCIL THEN USUALLY FORMS A PANEL OR A WORKING PARTY TO CONSIDER THE DISPUTE. ASSUMING THE PANEL FINDS THE COMPLAINT TO BE VALID, THE COUNCIL NORMALLY RECOMMENDS THAT THE OFFENDING PARTY REMOVE THE ILLEGAL RESTRICTION. FAILING THIS, THE CONTRACTING PARTIES CAN AUTHORIZE THE AFFECTED PARTY TO RETALIATE BY WITHDRAWING CONCESSIONS,

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ALTHOUGH DISPUTES HAVE RARELY REACHED THIS STAGE.

2. JAPANESE REP, (UKAWA) WHEN NOTIFIED OF OUR INTENTIONS TO BRING MATTER BEFORE THE COUNCIL POINTED OUT NORMAL PROCEDURES OUTLINED IN PARA 1 AND QUESTIONED WHETHER U.S. HAD CONSULTED JAPANESE UNDER EITHER X-II-1 OR XX:III/1. HIS INFORMATION INDICATED THAT U.S. HAD

NOT INVOKED EITHER OF THESE GATT ARTICLES IN CONVERSATIONS WITH JAPAN. UKAWA ALSO ASKED INTENT OF U.S. ACTION: WILL WE REQUEST PANEL OR WORKING PARTY? ACCORDING TO HIS INFORMATION, U.S. MIGHT BE INVOKING ARTICLE XX/III:2 TO INFORM COUNCIL OF RETALIATORY ACTION TAKEN BY U.S. IF SO, HE THOUGHT U.S. WAS IN CLEAR VIOLATION OF GATT DISPUTE SETTLEMENT PROCEDURES WHICH ALLOW CPS TO AUTHORIZE RETALIATORY ACTION ONLY AFTER DISPUTE IS CONSIDERED BY COUNCIL.

3. WE REPLIED THAT, WHILE OUR INFORMATION WAS ONLY PARTIAL, WE THOUGHT THAT PREVIOUS CONSULTATIONS WITH JAPANESE FULFILLED INTENT OF ART XXIIICQ OR XIICQM ON QUESTION OF RETALIATION, WE INDICATED THAT WE HAVE NO KNOWLEDGE THAT U.S. INTENDS TO RETALIATE PRIOR TO COUNCIL MEETING JULY 24 AND THAT INITIATION OF DOMESTIC PROCEDURES SOLICITING VIEWS ON POSSIBLE RETALIATORY ACTION IS NOT INCONSISTENT WITH GATT OBLIGATIONS.

4. ACTION REQUESTED: STATUS OF U.S. DOMESTIC PROCEDURES AND LIKELY TIMETABLE OF U.S. ACTIONS. SUMMARY OF PAST U.S. DISCUSSIONS ON ISSUE WITH JAPAN AND INDICATION IF THESE CONSULTATIONS CONDUCTED UNDER GATT ART XXII OR XXIII. CLARIFICATION OF U.S. INTENT IN BRINGING MATTER BEFORE COUNCIL (WILL WE ASK FOR WORKING PARTY, PANEL?) SORENSON  
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NNN

## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
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